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A Natural Experiment in Political Economy

Posted By [John Steele Gordon](#) On October 18, 2010 @ 11:17 AM In [Contentions](#) | [Comments Disabled](#)

One of the reasons that political science is such an inexact discipline is the difficulty of experimentation. If you want to test, say, a drug, you take a bunch of genetically identical rats, give half of them the drug and half a placebo, and see what differences turn up between the two groups. But testing a political theory (or an economic one — and political science was known in the 19th century as political economy) is harder to arrange. Rats don't vote and people do, at least in democracies.

So political scientists, like astronomers, have to wait for natural experiments to come along. To test, for example, capitalism against Communism, one might want to take an economically and ethnically homogeneous country — Sweden would do nicely — and divide it in half. Place one half under one system and the other under the other and wait 50 years to see which half prospers more. But the Swedes are unlikely to agree to be the rats in this experiment. Fortunately, the vagaries of Great Power politics in the 20th century produced two situations surprisingly like the ideal experiment: Germany and Korea.

The evidence from these natural experiments is overwhelming: capitalism produces wealth and liberty; Communism produces poverty, war, and famine. The wonder is that there are still so many Marxists around.

Perhaps the reason is that ideology makes you stupid.

It is often pointed out that the states make great laboratories for political-science experiments. And an experiment has been underway for quite a while testing the liberal model — high taxes, extensive regulation, many government-provided social services, union-friendly laws — against the conservative model — low taxes, limited regulation and social services, right-to-work laws. The results are increasingly in. As Rich Lowry [reports](#) ^[1] in National Review Online, the differences between California and Texas are striking. Between August 2009 and August 2010, the nation created a net of 214,000 jobs. Texas created more than half of them, 119,000. California *lost* 112,000 jobs in that period. Lowry writes:

Texas is a model of governmental restraint. In 2008, state and local expenditures were 25.5 percent of GDP in California, 22.8 in the U.S., and 17.3 in Texas. Back in 1987, levels of spending were roughly similar in these places. The recessions of 1991 and 2001 spiked spending everywhere, but each time Texas fought to bring it down to pre-recession levels. "Because of this policy decision," the Texas Public Policy Foundation report notes, "Texas' 2008 spending burden remained slightly below its 1987 levels — a major accomplishment."

The result has been dramatic: "A new Texas Public Policy Foundation report notes that Texas experienced a decline of 2.3 percent from its peak employment [in the current recession], while the nation declined 5.7 percent and California 8.7 percent." And people have been voting with their feet: A thousand people a day are [moving to Texas](#) ^[2]. It will likely gain four House seats next year, while California for the first time since it became a state in 1850 will gain none.

So, again, the evidence would seem to be overwhelming: high tax-and-spend policies and regulation produces stagnation and unemployment, low tax-and-spend policies and regulatory restraint produce the opposite. So why are there still so many liberals?

Same reason.

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[1] reports : <http://www.nationalreview.com/articles/249868/texas-model-rich-lowry>

[2] moving to Texas: <http://politifact.com/texas/statements/2010/jan/13/rick-perry/perry-says-1000-people-move-texas-daily/>